

Weekly Contributions 21-50

ORE, CIA

23 May 1950

Of the developments reported on this week, [] has found two that are of particular interest: the situation in Argentina (p. 9), and in Bolivia (p. 5).

CURRENT DEVELOPMENTS

GENERAL: A new permanent unofficial inter-American organization, the Inter-American Association for Democracy and Freedom, has been formed as the result of the recent inter-American conference at Habana (p. 2).

NORTHERN AREA: In Nicaragua, the election of General Somoza as president has not changed the political situation in that country (p. 2). Haiti's new governing junta is firmly established (p. 3). Cuba's government is not likely to outlaw Communism before the 1 June election (p. 4).

CENTRAL AREA: Venezuela's relations with Cuba have become strained (p. 4).

SOUTHERN AREA: Bolivia's government remains precarious despite its survival of the most recent revolutionary attempt against it (p. 5).

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1. **GENERAL:** Inter-American Conference for Democracy and Freedom
The non-governmental Inter-American Conference for Democracy and Freedom held recently at Habana Wkly, 9 May 50) has gone on record as opposing all forms of totalitarianism. As a result, both extreme leftist and rightist newspapers in Latin America denounced the meeting as a tool of Yankee imperialism and of Communism respectively, and two Mexican delegates of pro-Communist reputation withdrew when the conference rejected their resolutions criticizing the US and the Catholic Church. Although the political exiles attending the conference were extremely vocal and used it as a vehicle for getting their case before the people of the Hemisphere, the more moderate elements prevailed when it came to the passage of resolutions. Among the more important of these were resolutions urging that the subject of diplomatic recognition of de facto governments be re-examined, and that no financial, military, or technical aid be granted to any country flagrantly violating human rights.

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The conference also succeeded in establishing a permanent organization, the Inter-American Association for Democracy and Freedom, with headquarters in Montevideo. Since Emilio Frugoni, head of the Uruguayan Junta Americana de Defensa de la Democracia, was chosen as president of the new organization, it is expected that it will work in close collaboration with the Junta, and that the latter's publication, the "J.A.D." will serve as a propaganda organ for both groups.

Despite the difficulties involved in maintaining a private organization of this type and scope, the Inter-American Association's chances of survival are good because it has the support of the Junta in South America, and of the AF of L, the CIO, and certain interested individuals in the US. While its importance in the inter-American scene cannot yet be determined, if it succeeds in obtaining support in some of the larger countries like Brazil and Mexico, the Association -- free of the restrictions which characterize official bodies -- could become an effective instrument for influencing public opinion. Also, as an organization opposed to imperialism and critical of dictatorships both of the right and of the left, it could serve to counterbalance Communist propaganda in Latin America which seeks to label anti-Communism as undemocratic, pro-fascist and imperialistic. In this way, as well as in contributing to furthering democratic processes in the other American republics, the Association could be useful to the US and to the inter-American system.

2. **NICARAGUA:** Somoza Elected

The election of General Somoza as president on 21 May has not changed the political situation in Nicaragua. The government continues to be dominated by Somoza's National Liberals, but

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Conservatives (who finally decided to abide by the Somoza-Chamorro agreement) will have minority representation.

3. HAITI: Military Junta Takes Over

The enforced resignation of President Estimé offers striking evidence of the military's dominance over the civilian government in Haiti and the paramount role of personal relationships in Caribbean politics. Estimé was dismissed from office by Colonel Paul Magloire, who had been largely responsible for his election in August 1946. Magloire, as "strong man" of the Haitian army, was powerful enough to overthrow the administration at any time since its inauguration but chose to support it as long as the president's policies coincided generally with his own. At first, Estimé studiously deferred to Magloire but subsequently became violently jealous of the latter's power and attempted to assert his own authority by pursuing increasingly independent policies. The rift between the two became pronounced when Estimé's ambition for a second term led to repressive measures against the opposition. When civil disorders resulted last November, Magloire continued to support the administration, probably in order not to frighten tourists from the Exposition, which opened in December and recently closed for the summer. Last month, however, the senate, probably with Magloire's covert approval, decisively rejected a proposal to waive the constitutional single term limitation on the presidency. In an attempt to intimidate the opposition, Estimé's henchmen organized an irresponsible rabble to demonstrate in favor of a second term. This mob was allowed to ransack the senate chamber. When the senate refused to give in, Estimé decreed its dissolution. At this point Magloire stepped in and ordered the president to resign in the public interest. Estimé had no recourse but to comply.

The taking over of the government by the military has been applauded by most elements other than the politically inarticulate populace who have accepted the situation with mute resignation. The three-man junta, dominated by Magloire, appears firmly established and will probably not relinquish power for at least a year. In the meantime, the Junta is trying to get the country's finances in order and is working toward the restoration of civil liberties suspended by Estimé. The Dominican Republic, Venezuela, and Spain have already recognized the new government (which is expected to abide by its promise to honor Haiti's international commitments).

While the ouster of President Estimé represents a setback for the evolution of constitutional governments in this Hemisphere, the action of the junta has relieved mounting political tension which, unchecked, could have precipitated a bloody civil conflict. On the basis of its performance to date, there is reason to believe that the junta will lay the foundations for a more democratic form of government than Haiti has hitherto enjoyed.

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4. CUBA: Outlawing of Communist Party Before Election Unlikely

The administration party (Auténtico) is reportedly considering outlawing the Communist Party as a means of aiding the government candidate in the Habana mayoralty election of 1 June. Administration labor leaders have also been urging such action because Auténtico control of key labor unions -- an important source of strength -- has recently been challenged by the Communists (CIA Wkly, 19 May 50). As the election is likely to be very close and as Antonio Prío, the brother of the president, is a relatively weak candidate, the denial of the vote to Communist Party members, who support Auténtico opponents, could assure a government victory. On the other hand, if the Communist Party were outlawed at this time, there would be adverse publicity from both Communist and non-Communist groups because the Auténtico Party -- whose political maneuvers are already unpopular -- would be charged with using this anti-Communist device for purely political purposes. For these reasons, believes that opposition to such a move among leading political advisers is likely to prevent action prior to the 1 June election.

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5. VENEZUELA: Relations with Cuba Strained

Relations between Venezuela and Cuba have become strained as the result of a recently published article by a Cuban government official criticizing the Venezuelan junta. The Venezuelan foreign minister has indicated that unless the Cuban government presents satisfactory explanations and apologies for the article by Cuban Director of Culture, Raúl Roa appearing in the 14 May issue of Bohemia. The Venezuelan government may take such reprisals as placing an embargo on Cuban sugar and cancelling the permits of Cubans presently in Venezuela. US Embassy Habana reports that President Prío intends to curb unauthorized press statements by Cuban public officials. While it appears likely that Cuba will offer apologies, it is not certain that Venezuela will be satisfied.

The incident in itself appears of insufficient importance to be permitted to upset the relations of the two countries. The incident is significant, however, in that it is symptomatic of Venezuela's touchiness over continuing bad publicity abroad, and concern over possible revolutionary activities of Acción Democrática elements in Cuba -- a fear recently pointed up by the visit and search of a British flag tanker by a Venezuelan naval vessel on suspicion of carrying arms from Cuba to AD elements in Venezuela. It is possible that the Venezuelan government hopes indirectly, by making an issue of the article in Bohemia, to persuade the Cuban government to be more energetic in its surveillance of AD exiles in Cuba.

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6. BOLIVIA: Government Survives Revolutionary Attempt
The government's stability remains precarious despite its survival of the recent joint MNR and PIR Communist revolutionary attempt, which grew out of the teachers' strike and subsequent general strike. The government survived because the army remained loyal during the violence --- in which at least 100 persons were killed. Nevertheless, the general economic situation is unfavorable and labor is restive so that future disturbances may provide a favorable setting for other revolutionary attempts.

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The Current Situation in British Guiana

(Summary — The one event of political significance has been the attempt to form a new leftist political party. The economic situation has improved considerably. The militia and colonial police force continue to be of no political or military importance. No organized subversive movement is known to exist in British Guiana. Unofficial interest has been expressed regarding the role which British Guiana should assume in any British West Indies federation which might eventually be formed.

— Recent events in British Guiana have not affected US security interests in the area.)

Political

The only noteworthy political development in recent months has been the initiation of moves toward the formation of a new leftist political party. Dr. Cheddi B. Jagan, prominent labor agitator with marked Communist sympathies, is the key figure in a current movement to form a "People's Progressive Party", whose avowed purpose is "to awaken the people of the colony to the need for constitutional reforms and greater political rights". In contrast to the policy frequently followed by Communists of setting one racial group against another, this party is trying to get Negroes and East Indians (two groups which have long mistrusted and disliked each other) to work together. Its platform is not extremist, but rather sets forth a mildly Socialist middle-of-the-road program. It is true that Dr. Jagan has ambitious plans. Although he may eventually succeed in winning some support from the ranks of labor, estimates that no significant activity may be expected from his party within the next few months.

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Economic

The economic situation has improved considerably during recent months, largely because the great increase in trade resulting from British devaluation has more than offset the expected adverse inflationary effects Wkly, 15 Nov 49). It is true that certain unfavorable developments of late have affected two of the colony's principal export products. A reduced demand for bauxite from Canada, the principal importer, has caused a cut in production; and serious floods in the past few months have resulted in the loss of the spring rice crop of some 5,000 tons. These unfavorable factors have been outweighed, however, by the fact that production of sugar, by value the most important export, continues at a high level and that the colony's dollar position has been considerably improved by the increase in the amount of its exports to the US in 1949.

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The economic outlook, in contrast to the situation six months ago, appears generally favorable at the present time. Although sugar producers have voiced some concern about the long-range prospects for the industry as a result of the recent UK announcement of new trade arrangements which will come into effect in 1952, no cutback in production may be anticipated in the coming six-month period. Furthermore, the current unfavorable conditions for the other two principal exports, bauxite and rice, may be expected to improve since the trend toward reduced Canadian demand for bauxite is not likely to be a lasting one, and since prospects are favorable for a good rice crop in the fall. For these reasons, it may be expected that commerce will continue at a high level during coming months.

An additional development which may eventually be of benefit to the economy is the recently announced comprehensive plan of the Colonial Development Corporation for developing British Guiana's timber resources. The first phase of the operation, the erection of a large modern sawmill, is scheduled to take place within two years and, as exports expand, the Corporation will establish subsidiary industries for the making of furniture, plywood, veneers, prefabricated houses, and other wood products. Up to the present time, however, the CDC has been the object of considerable criticism in the colony, due to its poor handling of press relations and its apparent unconcern about arousing local enthusiasm for its project.

Military

The quasi-military colonial police and the militia -- the latter made up completely of local volunteers who hold short weekly meetings and undergo a brief camp training period each year -- remain of no political or military importance. (No British troops are stationed in British Guiana and there is no regular military force in the colony.)

Subversive

No organized subversive movement is known to exist in British Guiana. The two or three individuals in the colony who are either Communists or fellow-travellers continue to try to win support for the Communist cause, but despite the considerable quantity of Communist literature which has been entering the colony of late, their efforts have met with little success. (See Political, above.)

International

Being a crown colony, British Guiana does not administer its own foreign relations. One matter touching on its international affairs, however, has been the subject of much discussion in the colony -- the place it should hold in any federation which might eventually be formed in the British West Indies. The recently published report of the

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"Standing Closer Association Committee", the organization which is working on plans for such a federation, created a more favorable impression than had been expected in British Guiana, since, by recommending the delegation of specific powers only to the federal government, it helped allay fears that sparsely populated territories like Guiana might be dominated by some of the larger Caribbean units. Nevertheless, the majority of the colony's people does not appear to favor the idea of federation with the British West Indies. The emergent East Indian community, which for years has sought to have its superiority over the colony's large Negro population recognized, fears African preponderance in a federation of this type to such an extent that those East Indians who would like British Guiana to become part of a larger unit favor federation with Trinidad only. Notwithstanding all the discussion of federation, it is not probable that any significant steps will be taken in this direction in the next six months.

The people of British Guiana continue in general to be favorably disposed toward the US.

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The Current Situation in Argentina

(Summary — The government has become more stable. The economic situation, aggravated by the drought, remains unfavorable. Government anti-Communist activity continues. The "third position" has been reasserted as a bargaining lever.

— US security interests are favored by improved US-Argentine relations, by improved prospects for ratification of the Rio Treaty, and by increased stability.)

Political

Government stability has improved moderately during the past three months. It is true that a recent resurgence of major strike activity, following several months of only the usual degree of labor unrest, demonstrated that the administration has not managed to control this major potential threat to its stability. On the other hand, Perón's position has improved perceptibly because of his evident success in negotiations with the US. These negotiations are considered promising by such powerful groups as the army, extreme nationalists, and business elements who see in them prospects for a solution to the financial impasse that has undermined economic stability for over two years. Also, the favorable effects on stability resulting from safe Peronista majorities in the last elections before 1952 were not offset by the slight losses sustained in voting strength [] Wkly, 4 Apr 50). The administration, with increased confidence based on the improvement in its position, has taken a number of measures which may further improve short-run stability. These measures include the adoption of a somewhat less generous labor policy as applied to government employees; stern disciplinary measures for Peronistas; a drive to purge non-Peronistas from jobs in government and in nationalized industries; and a more severe application of the "gag law".

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[] estimates that the current trend toward improved stability will continue for the next three months and prospects for settlement of financial difficulties and arrangements for expansion of trade progress, although methods used to maintain this increased stability, such as inflationary wage increases, may pose problems that would adversely affect stability later.

Economic

The economic situation remains unfavorable. Low productivity, shortages of vital imports, and inflation continue; and losses from the drought have reduced potential foreign exchange earnings needed for essential imports. In the immediate future, no marked improvement in the economic

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situation can be expected as the effects of the present serious economic dislocations will persist. The government's precarious financial situation will be aggravated by increased financial requirements for stimulating agricultural production and by a decline in revenue. The Perón government, however, will be able to withstand the effects of these economic dislocations during this period because of the added support the administration will receive as the result of its success in obtaining US financial aid, and because increasing confidence in economic prospects will stimulate domestic business activity and investment.

Within a year, however, prospects are good for considerable improvement in the economic situation, because of benefits expected from US financial assistance and from economic reform measures in line with US recommendations. The Export-Import Bank loan, to be applied to Argentine commercial arrears, will aid in the reestablishment of Argentine credit and will encourage an early flow to Argentina of capital goods that would significantly alleviate the supply situation and tend to counteract inflation. Important economic reform measures taken by the Argentines to encourage and make the most of financial assistance will also result in improvement. Among these reform measures are the belated raising of prices paid grain producers by 20 to 30 percent as an incentive to increased production, and several important steps to attract foreign capital (particularly from the US). Included among the latter measures which favor US-Argentine economic relations are 1) commitments to alleviate problems of US companies operating in Argentina, 2) initiation of bilateral air route negotiations with the US, 3) mutual agreement to negotiate a double taxation agreement, and 4) initiation of negotiations on a treaty of Friendship, Commerce, and Economic Development.

Military

The small reduction in army strength for reasons of economy has not significantly affected army loyalty, Argentina's military position in relation to its neighbors, or the army's capabilities for maintaining internal order.

The army continues to be favorably disposed toward the US, largely because of its desire for US equipment. Most recent evidences of this cordiality were manifest in expression of interest by three high-level officers in ascertaining the US concept of the Argentine role in any future conflict (in addition to providing meat and grains) and in the reported mission of pro-US police chief, General Bertollo, to decorate General Eisenhower.

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Subversive

The Communist Party of Argentina (CPA) continues to be restrained by the government's anti-Communist program. Repressive measures included closing of the CPA's chief newspaper, suppression of two front organizations, denial of voting privileges in certain provinces, and the prolonged detention of three party officials. Despite government repression and vigorous police surveillance, however, the CPA still retains its capability of fomenting labor unrest and disturbances by virtue of its penetration of some large labor unions.

International

Peron's new expedient policy of "cordial frankness" with the US favors short-term US security interests and tends to offset the effects of a recent firm reassertion of Peron's "third position" and indications of Argentine diplomatic overtures to the USSR. Reported Argentine desires to improve "still further friendly relations" with the USSR probably represent an effort calculated to strengthen Argentina's bargaining position vis-a-vis the US, as does the reassertion of the third position on the international front. General good feeling between the US and Argentina, engendered by Assistant Secretary of State Miller's visit to Argentina, and Peron's assurance to Miller that he would use his efforts to obtain full Argentine ratification of the Rio Treaty favor US interests in Hemisphere solidarity. Also, Argentine adherence to the US position on technical assistance to Latin America at the extraordinary session of IA-ECOSOC, and designation of the Argentine Ambassador to the US as permanent Argentine delegate to the UN will tend to promote intra-Hemisphere harmony.

[] foresees no immediate change in Argentina's highly opportunist foreign policy.

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The Current Inter-American Situation

(Summary -- COAS approval and implementation of the recommendations of its committee investigating the Caribbean situation was the most important inter-American development of the past three months. The Council's action has had and will probably continue to have a salutary effect on the countries involved. A step forward in US economic relations with the other American republics has resulted from the accomplishments of the recent extraordinary session of the IA-ECOSOC. The ill feeling which has characterized relations between certain Latin American nations has been mitigated but not eliminated. In general, Latin America continues to support the US on the international level, though there still remains some scepticism regarding those US economic policies which appear to be less responsive to the needs of the Western Hemisphere than to other parts of the world.

-- Inter-American solidarity continues to be strengthened, and if this trend can be sustained, the US security position in the Hemisphere will be enhanced.)

Intra-Hemisphere Issues

OAS and Inter-American treaties: The most significant inter-American event of the past three months was the approval by the Council of the OAS of its committee's report and recommendations concerning the Caribbean situation Wkly, 18 April 50). The Council's prompt and decisive action has had a salutary effect on the countries involved, and the high degree of solidarity evident in the Council's voting has benefitted US security interests. The "watch dog" committee provided for in one of the recommendations has now placed itself at the disposal of the governments concerned to serve as a conciliatory body. The work of this committee, plus the Council's threat to apply the sanctions envisaged in the Rio treaty if the censured countries fail to abide by the Council's decisions, should have a stabilizing effect at least temporarily.

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Another recent inter-American development of considerable importance was the holding of an extraordinary session of the Inter-American Economic and Social Council (IA-ECOSOC). The achievements of this session constitute a step forward in the slow overall improvement in US economic relations with the other American republics. The Latin American governments, however, will continue to view US economic policies rather sceptically until the decisions made at this meeting are effectively implemented.

There have been no new ratifications of the Rio treaty or of the Pact of Bogotá, though Argentina may decide to ratify the former if its present degree of cooperation with the US continues. Ratification by Argentina may stimulate some of the other non-ratifying states to do likewise. Brazil, Honduras and Paraguay have deposited their instruments of ratification of

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the Charter of the OAS, and other nations may take steps in this direction within the next few months. An increase in the number of republics ratifying basic inter-American instruments would benefit inter-American solidarity.

Relations among American states: Strained relations between certain American republics due to revolutionary changes in governments and interventionist activities have not been eliminated, but the gradual alleviation of tension continues. For example, the Dominican Republic has recently made friendly overtures toward Cuba and Haiti. Although the recent Inter-American Conference for Democracy and Freedom held at Havana was accompanied by threats from certain dictatorial governments to break relations with Cuba should it sponsor the conference, that country's disavowal of any official support of this non-governmental meeting removed the possibility of any such threats materializing.

The trend in Latin America toward unanimity on the question of recognition of governments brought to power by coups d'état is continuing as evidenced by the recent decision of the Cuban government to follow US policy on this matter. As a result, the Inter-American Council of Jurists, scheduled to meet in Rio de Janeiro this month, may eventually be able to reach some kind of agreement on this troublesome issue.

Extra Hemisphere Issues:

UN and specialized agencies: There has been no marked change in Latin American attitudes toward US international policies in the UN and its specialized agencies. By and large the other American republics continue to support US policy vis-à-vis the Soviet Union. Although they have expressed their willingness so far to follow the lead of the US on the admission of Chinese Communist delegates to the UN (or at least to consult with the US before taking any decisive action) some of them may eventually conclude that the present impasse on this issue between the US and the USSR should be broken for the good of the UN. The possibility remains, therefore, that certain Latin American states may decide either to vote for, or to abstain on any resolution which may seek to resolve the problem by admitting representatives of the Peiping government.

Relations with nations outside the Western Hemisphere: Spain: Leftist and liberal Latin American circles remain critical of the recent change in US policy toward Franco Spain. However, if a resolution annulling the 1946 UN resolution concerning diplomatic relations with Spain should be adopted at the next General Assembly, (as is expected) almost all of the Latin American nations which have not already done so are likely to reestablish normal diplomatic relations with the Franco régime. Mexico and Guatemala will probably be the only exceptions.

USSR: There has been no change in the status of diplomatic relations between Russia and the five Latin American countries which maintain representatives in Moscow. The increasing intensity of the anti-Communist campaign in

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some of these countries, however, may eventually cause a break. None is expected to exploit its relations with the USSR to the detriment of US security interests.

China: No Latin American nation has as yet extended recognition to the Chinese Communist government, and it is extremely doubtful that any would do so while the US maintains its present attitude toward the Peiping régime. As already indicated, however, some may not continue to adhere to the US position on Communist China so far as the admission of its delegates to the UN is concerned.

Support of important US foreign policies: The other American Republics continue to support the US in its cold war with the USSR and to realize the necessity for certain US policies in Western Europe and Asia, though such realization has not eliminated their dissatisfaction with the fact that other areas are receiving more attention than Latin America. If the legislation for implementing the Point 4 program is passed, it will at least assure Latin America that it will have its share in the limited US technical assistance to underdeveloped countries provided for in that plan. One concrete evidence of action such as this, however, will not be sufficient to overcome Latin American post-war scepticism concerning US interest in that part of the world.

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